

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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1. There is much confusion and uncertainty in Yugoslavia over the exact meaning of the Soviet visit to Yugoslavia in May and June of 1955. A prominent Yugoslav lawyer and jurist has stated the Yugoslavs raised four main points:
 - a. The repayment of funds due to the Yugoslavs for the period 1945-48, amounting to nearly \$400,000,000;
 - b. The acceptance of the Federation of Communists of Yugoslavia (FCY) as an equal partner in the framework of world communism;
 - c. The prospects of forming a Balkan Federation under the leadership of Yugoslavia; and
 - d. The position of the "East Asian socialists", to be developed by the Yugoslavs as a force in world communism.¹

2. According to this Yugoslav jurist, the Soviet delegation in each instance presented counterarguments and for the moment at least were successful in dismissing the claim for \$400,000,000 and in postponing a decision on the proposed Balkan Federation. Tito did achieve recognition as an independent leader in the world Communist movement and was given a green light on the development of his contacts in Southeast Asia. The jurist added that he was personally gravely concerned over the future of Yugoslavia, primarily because he felt Tito will assume a greater role in world communism and, as a consequence, give even less attention to pressing internal problems. Tito's first step has been to propose a drastic reorganization of the FCY, purging unreliable elements, giving preference in job placement to young Communist graduates, and putting retired Communist army officers into key trade and industrial positions. Party diehards are only temporarily satisfied, however, since they continue to urge closer collaboration with Russia, and the moderates fear an eventual break with the West and the formation of a rigid "Third bloc".

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3. Four leading Yugoslav businessmen, referring to the outcome of the Soviet-Yugoslav conference, independently confirmed the arrest of numerous anti-Soviet Communists and "reactionaries" during the Russian visit. Only a few have since been released and the whole economic structure is suffering from the absence of key commercial figures.
4. According to two Yugoslav bankers the economy is now worse than it has ever been since the war. Wages have been raised but are still not keeping pace with prices. Housewives queue up at dawn to buy the barest necessities in the public markets. Employers and employees alike are underpaid, are openly voicing their discontent, and are actively stealing and cheating the employers - in many instances, with the full cooperation and participation of the UDB. One of the principal reasons the Yugoslavs insist on having local agencies represent foreign firms is so that handsome profits can be made on under-the-counter transactions. The middle classes are now at the end of their economic rope since they have nothing left to sell and are being systematically pushed out of the better jobs. Only by cheating can they maintain a minimum living standard, and those who do cheat are working with the UDB.

Comment: By this is meant the neutralist bloc in Southeast Asia, consisting of India, Burma, and Indonesia.

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